RECORD AND BRIEFS

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In the Supreme Court of the United States

LIFE TECHNOLOGIES CORPORATION, ET AL.,
PETITIONERS

v.

PROMEGA CORPORATION

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

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QUESTIONS PRESENTED

The Patent Act prohibits the "suppl[y] * * * from the United States * * * [of] all or a substantial portion of the components of a patented invention * * * in such manner as to actively induce the combination of such components outside of the United States." 35 U.S.C. 271(f)(1). The questions presented are as follows:

1. Whether a corporation can be held liable for "actively induc[ing] the combination" of the components of a patented invention when the same legal entity both supplies the components from the United States and combines the components abroad.

2. Whether a supplier can be held liable for providing "all or a substantial portion of the components of a patented invention" from the United States when the supplier ships for combination abroad only a single commodity component of a multi-component invention.

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INTEREST OF THE UNITED STATES

This brief is filed in response to the Court's order inviting the Solicitor General to express the views of the United States. In the view of the United States, the petition for a writ of certiorari should be granted, limited to the second question presented.

STATEMENT

1. In general, "whoever without authority makes * * * within the United States * * * any patented invention" is liable for patent infringement. 35 U.S.C. 271(a). In *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518 (1972), this Court held that a company did not violate Section 271(a) by manufacturing all of the component parts of a patented machine in the United States and then shipping those parts overseas for final assembly by a customer. *Id.* at 523-524. This Court explained that "it is not an infringement [under

Section 271(a)] to make or use a patented product outside of the United States," *id.* at 527, and that the invention was not made until its components were combined abroad, *id.* at 528-529.

Congress responded to *Deepsouth* by enacting 35 U.S.C. 271(f). Section 271(f)(1) provides that it is infringement to supply from the United States "all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States." 35 U.S.C. 271(f)(1). Section 271(f)(2) provides that it is infringement to supply from the United States "any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, * * * intending that such component will be combined outside of the United States." 35 U.S.C. 271(f)(2).

2. a. Respondent is the exclusive licensee of a patent claiming a kit for copying short repeated sequences of DNA. Pet. App. 5a.[1] The kit replicates certain short sequences of DNA in order to enable analysts to determine whether a DNA sample came from a known individual. *Id.* at 3a. The kits are made

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[1] Initially, five patents were at issue in this suit. Br. in Opp. 3. The Federal Circuit held that four of the patents were invalid. Pet. 6 n.1; Pet. App. 13a-22a. The remaining patent has expired, but the Patent Act permits a patentee or exclusive licensee to seek damages for any acts of infringement that occurred during the patent's term and within the six years preceding the suit. 35 U.S.C. 286; Br. in Opp. 3.

up of at least five components: (1) a mix of primers, which mark the start and finish of the locations in the sample DNA to be copied; (2) a reaction mix, which contains the nucleotide building blocks that will produce the copied DNA; (3) a buffer solution, which provides the background biochemical conditions necessary for copying; (4) an enzyme, generally *Taq* polymerase, that catalyzes the reaction that actually assembles the nucleotides into copies of the marked locations; and (5) control DNA to verify the accuracy of the copies. *Id.* at 8a.

Respondent granted petitioners a license to sell the patented kit for "activities relating to legal proceedings" but not for other uses. Pet. App. 9a & n.4. After petitioners manufactured and sold the kits for unlicensed purposes, such as clinical diagnostics, respondent filed this action for patent infringement, seeking damages for both domestic and global sales of infringing kits. *Id.* at 44a-45a.

As relevant here, respondent alleged that petitioners' global kit sales constituted infringement under Section 271(f)(1) because petitioners had supplied one component of the kits—the *Taq* polymerase—from the United States to their manufacturing facility in the United Kingdom, which manufactured the remaining four components and assembled the patented kits. Pet. App. 34a & n.15. Respondent did not allege infringement under Section 271(f)(2) because it is undisputed that the *Taq* polymerase is "a staple article or commodity of commerce suitable for substantial non-infringing use." *Id.* at 30a n.14 (quoting 35 U.S.C. 271(f)(2)). After a trial, the jury returned a verdict in favor of respondent and awarded more than $50 million in damages. *Id.* at 45a, 50a.

b. Petitioners moved for judgment as a matter of law, asserting that Section 271(f)(1) did not apply to their conduct for two reasons. First, petitioners argued that they had not supplied "all or a substantial portion of the components" of the invention from the United States because they had shipped only a single component from this country. Pet. App. 51a. Second, relying on Section 271(f)(1)'s requirement that the infringer "actively induce the combination" of the invention's components, 35 U.S.C. 271(f)(1), petitioners asserted that a single legal entity cannot "[a]ctively induce" itself to combine the components of a patented invention. Pet. App. 59a. Petitioners contended that, because respondent had not presented evidence that the domestic supplier of the *Taq* polymerase and the foreign manufacturing facility were separate legal entities, Section 271(f)(1) did not apply. *Ibid.*

The district court agreed with petitioners on both points and granted judgment as a matter of law. Pet. App. 50a-66a. The court held that Section 271(f)(1)'s reference to "all or a substantial portion" of an invention's components requires that multiple components be supplied from the United States. *Id.* at 54a-57a. The court also held, as an "independent reason" to overturn the jury's verdict, that Section 271(f)(1) requires that the domestic supplier and foreign assembler be separate entities. *Id.* at 63a.

Respondent moved for reconsideration on the ground that two separate entities were in fact involved, and that petitioners had induced their "foreign divisions, subsidiaries, or employees" to combine the components abroad. Resp. C.A. Br. App. A2364. The district court held that respondent had forfeited that argument. *Ibid.*

3. a. The court of appeals reversed and remanded in relevant part. Pet. App. 1a-43a.

The court of appeals first held that "no third party is required" to "actively induce" the combination of the components of a patented invention in order for liability to be imposed under Section 271(f)(1). Pet. App. 24a. The court reasoned that, by imposing liability on those who "actively induce the combination" of components, Section 271(f)(1) focuses on the result of the defendant's conduct (the "combination" of the components abroad) rather than on the identity of the entity that combines the components. *Id.* at 24a-25a. The court therefore concluded that, although "induce" can mean to "persuad[e] *another*," Section 271(f)(1) uses the term in a broader but equally well-recognized sense: "to bring about, to cause" a result. *Ibid.* (emphasis added).[2]

The court of appeals next held that a single, commodity component can be a "substantial portion of the components of a patented invention" if that component is a sufficiently important part of the invention. Pet. App. 28a-34a. In the court's view, Section 271(f)(1) uses the term "substantial" in a qualitative sense, to mean "'important' or 'essential.'" *Id.* at 28a. The court held that substantial evidence supported the jury's conclusion that *Taq* polymerase "is a 'substantial portion' of the components" of the patented invention because, "[w]ithout *Taq* polymerase, the genetic

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[2] Respondent challenged the district court's holding that respondent had forfeited the argument that petitioners had in fact induced a separate foreign entity to combine the components. The court of appeals did not address that argument, however, because the court held that no separate entity was necessary. Br. in Opp. 14 & n.5.

testing kit recited in the * * * patent would be inoperable because no [copying] could occur." *Id.* at 33a-34a. The court also observed that petitioners' "own witness admitted that the *Taq* polymerase is one of the 'main' and 'major' components of the accused kits." *Id.* at 34a.

The court of appeals accordingly reinstated the jury's verdict that petitioners had infringed respondent's patent under Section 271(f)(1). Pet. App. 37a. Because the court had held that four of the five patents at issue were invalid, see note 1, *supra*, the court vacated the jury's damages award and remanded to permit the district court to "determine damages due to [petitioners'] infringement of" the remaining patent. *Id.* at 38a.

b. Chief Judge Prost dissented. Pet. App. 39a-43a. She would have held that Section 271(f)(1) requires the defendant to actively induce a separate legal entity. *Id.* at 39a. She therefore would not have reached "the alternative argument" that petitioner was not liable because it had supplied only a single component from the United States. *Id.* at 39a n.1.

DISCUSSION

This Court should grant the petition for a writ of certiorari, limited to the second question presented.

The first question presented, which concerns the application of Section 271(f)(1) to situations in which the same legal entity both supplies the relevant components from the United States and assembles the components abroad, does not warrant this Court's review. The court below was correct that, if a single legal entity supplies components of a patented invention to its own foreign manufacturing facility, it may be held liable under Section 271(f)(1) for "actively

induc[ing] the combination" of the components. In any event, because multinational corporations ordinarily operate through separate, locally incorporated entities, true single-entity cases are unlikely to arise with any frequency. Indeed, the court of appeals decided the question in this case only because it was unclear whether respondent had adequately preserved its argument that petitioners had supplied the relevant component to a distinct legal entity.

Petitioners also challenge the court of appeals' conclusion that a single component of a multi-component invention may constitute "all or a substantial portion of the components" of the invention under Section 271(f)(1). That holding is contrary to Section 271(f)'s text and structure, and it is inconsistent with the presumption against extraterritoriality. The court of appeals' decision is also important, as it exposes United States exporters to a significant risk of liability when they supply a single commodity component to foreign customers. The second question presented therefore warrants this Court's review.

I. THE FEDERAL CIRCUIT'S HOLDING THAT SECTION 271(f)(1) DOES NOT REQUIRE THE DEFENDANT TO INDUCE A THIRD PARTY TO COMBINE COMPONENTS OF A PATENTED INVENTION DOES NOT WARRANT THIS COURT'S REVIEW

Petitioners challenge the court of appeals' holding that a corporation may "actively induce the combination" of components under Section 271(f)(1) when it supplies components to its own foreign manufacturing facility for combination. Pet. App. 24a-27a. That question does not warrant the Court's review.

A. The court of appeals correctly held that, if a single legal entity supplies components from the United

States to its own foreign manufacturing facility, it may be held liable under Section 271(f)(1) for actively inducing the combination of the components to produce the patented invention. Pet. App. 24a-27a.

1. Section 271(f)(1) prohibits supplying components of an invention from the United States "in such manner as to actively induce the combination of such components outside of the United States." 35 U.S.C. 271(f)(1). Petitioners contend that, as used in this context, the term "induce" means to "influence" or "persuad[e]." Pet. 13. Petitioners further argue that, because "one does not * * * influence oneself," Section 271(f)(1) requires that a defendant induce a third party to combine the components. *Ibid.*

That reasoning would be sound if the object of the verb "induce" were a word like "person," *e.g.*, if Section 271(f)(1) applied to the supply of components "in such manner as to actively induce a person outside of the United States to combine such components." In Section 271(f)(1), however, the object of the verb "induce" is a result: the defendant must "actively induce the *combination*" of components. 35 U.S.C. 271(f)(1) (emphasis added). Used in that context, the term "induce" means "to bring about, produce, or cause." *Random House Webster's Unabridged Dictionary* 975 (2d ed. 2001) (*Webster's*) ("That medicine will induce sleep."). To be sure, one way (indeed, the principal way, see pp. 12-13, *infra*) in which a person within the United States may cause components to be combined outside this country is to persuade another person to perform that task. But if a single legal entity exports the components to its own manufacturing facility abroad, and there combines them to produce the pa-

tented invention, that person is naturally said to "induce the combination."[3]

As we explain below (see pp. 12-13, *infra*), because multinational corporations typically act through locally incorporated subsidiaries or affiliates, components exported from the United States will seldom be combined abroad by the same legal entity. But in the rare circumstance where a single entity both exports components of a patented invention from the United States and combines them in a foreign country, the policies animating Section 271(f)(1) fully support the imposition of liability on the same terms as if the exporter had persuaded another person to act. Congress enacted Section 271(f) in response to this Court's holding in *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518 (1972), that a party could avoid infringement liability by shipping the components of a patented invention abroad, where they would be assembled by foreign customers, beyond the reach of the Patent Act. *Id.* at 523, 526-527. Congress intended Section 271(f)(1) to prevent infringers from exploiting the loophole created by the *Deepsouth* decision.

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[3] Section 271(f)'s legislative history supports that conclusion. The Senate Report, like Section 271(f)(1), uses the passive voice to focus on the result—combination of the components—rather than on the identity of the combiner. See S. Rep. No. 663, 98th Cong., 2d Sess. 6 (1984) (Section 271(f)(1) "will prevent copiers from avoiding U.S. patents by shipping overseas the components of a product patented in this country so that the assembly of the components *will be completed* abroad." (emphasis added)). A section-by-section analysis introduced in the House similarly focuses on the fact of combination and obscures the combiner. See 130 Cong. Rec. 28069 (1984) (Section 271(f)(1) "makes it an infringement to supply components * * * that *are to be combined* outside the United States." (emphasis added)).

See S. Rep. No. 663, 98th Cong., 2d Sess. 3 (1984) ("The bill simply amends the patent law so that when components are supplied for assembly abroad to circumvent a patent, the situation will be treated the same as when the invention is 'made' or 'sold' in the United States."). Exporting components with the intent that they be combined abroad is no less an end-run around United States patent laws when the domestic defendant supplies the components to its own foreign manufacturing facility.

2. Petitioners' contrary arguments are unpersuasive.

Petitioners contend (Pet. 13) that Section 271(f)(1) requires the defendant to induce a third party because this Court has construed the phrase "actively induce," as used in a different Patent Act provision (35 U.S.C. 271(b)), to mean "[t]o lead on; to influence; to prevail on; to move by persuasion or influence." *Global-Tech Appliances, Inc.* v. *SEB S.A.*, 131 S. Ct. 2060, 2065 (2011). Section 271(b) provides that "[w]hoever actively induces infringement of a patent shall be liable as an infringer," 35 U.S.C. 271(b), and it is premised on the existence of another party that is liable for direct infringement. *Limelight Networks, Inc.* v. *Akamai Techs., Inc.*, 134 S. Ct. 2111, 2117 (2014). Construing Section 271(b) as limited to inducement of another does not create any loophole or gap in coverage because, if a single entity within the United States carries out all the steps necessary to make a patented invention, it can be held liable for *direct* infringement under 35 U.S.C. 271(a). Because Section 271(b) is specifically designed to reach defendants who are not direct infringers, and is superfluous in circumstances where the defendant has performed all the conduct

that results in infringement of the patent, the phrase "actively induces infringement" *in that provision* is naturally read to mean "persuade[s] another to engage in" infringement. *Global-Tech*, 131 S. Ct. at 2065.

Unlike Section 271(b), Section 271(f)(1) "impose[s] liability for inducing activity that does not itself constitute direct infringement" because the combination of components takes place outside this country, and thus beyond the reach of the Patent Act. *Limelight*, 134 S. Ct. at 2118. If Section 271(f)(1) is construed not to reach an entity that both exports components and combines them abroad, that entity's conduct will not be actionable under any other Patent Act provision. Because such a reading would allow the type of circumvention that Section 271(f)(1) was enacted to prevent, and because the phrase "actively induces the combination" can naturally be construed to reach single-entity conduct (see pp. 8-9, *supra*), the court of appeals correctly declined to limit the provision's coverage in the manner that petitioners advocate.

Petitioners also argue (Pet. 16-20) that the Federal Circuit's construction of Section 271(f)(1) is "contrary to the presumption against extraterritoriality." But construing Section 271(f)(1) to reach cases where the domestic supplier and foreign manufacturer are the *same legal entity* does not expand the provision's reach in a manner that implicates the presumption against extraterritorial application of United States law. To the contrary, in such cases the nexus between the prohibited course of conduct and the United States is closer than in the separate-entity cases to which Section 271(f)(1) more typically applies. The court's holding therefore does not impinge on foreign-

sovereign interests. See *Microsoft Corp.* v. *AT&T Corp.*, 550 U.S. 437, 455-456 (2007).

B. The question whether Section 271(f)(1) applies when a single entity both supplies components from the United States and assembles them abroad does not arise with any frequency. Indeed, although the Federal Circuit decided this case on the assumption that a single entity performed both those steps, that assumption appears to be inaccurate.

Multinational corporations generally act through locally incorporated subsidiaries or affiliates rather than as single legal entities spread over multiple countries. See, *e.g.*, Fritz Blumer, *Jurisdiction and Recognition in Transatlantic Patent Litigation*, 9 Tex. Intell. Prop. L.J. 329, 349 (2001). "Separate units are created for tax, corporate governance or limitation of liability reasons, as it is impractical for most enterprises to do business in multiple jurisdictions as a single entity." Allan L. Gropper, *The Arbitration of Cross-Border Insolvencies*, 86 Am. Bankr. L.J. 201, 203-204 (2012). As a result, "[v]irtually all multinational corporate empires are corporate groups, not single corporations, and indeed there are often hundreds of legally separate entities." Edward S. Adams & Jason K. Fincke, *Coordinating Cross-Border Bankruptcy: How Territorialism Saves Universalism*, 15 Colum. J. Eur. L. 43, 83 (2009).

Thus, even in Section 271(f)(1) cases where the export and assembly steps are performed by members of the same corporate family, the defendant who supplies components from the United States typically will be alleged to have induced a separate legal entity to

combine the components.[4] Petitioners have identified only three cases—in the 32 years since Section 271(f)(1) was enacted—in which a single entity appears to have both supplied the components from the United States and combined them overseas.[5] And petitioners do not contend that Section 271(f)(1) is inapplicable to cases where a United States exporter in-

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[4] See, *e.g.*, *Ormco Corp.* v. *Align Tech., Inc.*, 609 F. Supp. 2d 1057, 1062 (C.D. Cal. 2009) (components supplied to wholly-owned foreign subsidiary); *PLS-Pacific Laser Sys.* v. *TLZ Inc.*, No. C-06-04585, 2007 WL 2022020, at *1 (N.D. Cal. July 9, 2007) (affiliates incorporated under foreign law); *Negotiated Data Solutions, Inc.* v. *Apple, Inc.*, No. 2:11-CV-390, 2012 WL 6161785, at *3 (E.D. Tex. Dec. 11, 2012) (defendant allegedly supplied components to foreign "contract manufacturers"); see also, *e.g.*, *Eolas Techs., Inc.* v. *Microsoft Corp.*, 274 F. Supp. 2d 972, 973 (N.D. Ill. 2003) (components supplied to domestic defendant's foreign manufacturers pursuant to licensing agreement); *Nomadix, Inc.* v. *Hospitality Core Servs. LLC*, No. CV 14-08256, 2015 WL 1525537, at *3 (C.D. Cal. Apr. 3, 2015) (components supplied to foreign customers).

[5] See *WesternGeco LLC* v. *ION Geophysical Corp.*, 876 F. Supp. 2d 857, 902 (S.D. Tex. 2012) (foreign corporation caused components to be shipped from the United States, and combined them overseas); *Moore U.S.A. Inc.* v. *Standard Register Co.*, 144 F. Supp. 2d 188, 190, 195 (W.D.N.Y. 2001) (defendant's employees brought materials from the United States to Switzerland and assembled them there); *T.D. Williamson, Inc.* v. *Laymon*, 723 F. Supp. 587, 591 (N.D. Okla. 1989), aff'd, 923 F.2d 871 (Fed. Cir. 1990) (defendant appears to have shipped components to foreign manufacturing facility). In a fourth decision on which petitioners rely (Reply Br. 6), the relationship between the domestic and foreign entities is unclear. *Key Energy Servs., Inc.* v. *C.C. Forbes, LLC*, No. 2:08-cv-346, 2011 WL 7429433, at *6 (E.D. Tex. June 3, 2011). The court in that case did not explain its statement that Section 271(f)(1) does not require the recipient of the components to be a "third party," and the two parties to the transaction may have been separate but related entities.

duces an affiliated corporate entity to combine components abroad.

Indeed, although the Federal Circuit decided this case on the assumption that "no other party was involved in [petitioner's] assembly of the accused kits," Pet. App. 23a, that assumption appears to be inaccurate. Respondent asserts that the entity that supplied the components was legally distinct from the entity that combined them, and that petitioners therefore "induced the conduct of other (albeit affiliated) corporate entities." Br. in Opp. 14 n.5; see *id.* at 15. Petitioners do not dispute that assertion in their reply brief. See Reply Br. 6-7.

The Federal Circuit assumed that the domestic supplier and the foreign manufacturer were a single legal entity because the district court had held that respondent had forfeited any contrary argument. See Br. in Opp. 14 & n.5; Resp. C.A. Br. App. A2364-A2365 ("[Respondent] raises an alternative argument that defendants did not 'induce' themselves, but their 'foreign divisions, subsidiaries or employees.' * * * This is a new argument."). Respondent appealed the district court's forfeiture ruling, see Resp. C.A. Br. 44 n.11, but the Federal Circuit did not address that issue because it held that Section 271(f)(1) does not require the defendant to induce a separate legal entity.

Regardless of whether the district court's forfeiture ruling was correct, it would be highly artificial for this Court to decide a legal question that arises in this case only because the courts below made a factual assumption that both parties appear to agree is inaccurate. That is particularly so because respondent's assertion that separate legal entities were involved in

this case accords with usual commercial practice. See pp. 12-13, *supra*. A grant of certiorari and a reversal on the ground that separate legal entities are required would be an especially unfortunate disposition if it prevented the Court from resolving the second question presented, which involves a legal issue of substantial practical importance. See pp. 20-22, *infra*. The first question presented in the petition does not warrant this Court's review.

II. THIS COURT SHOULD REVIEW THE FEDERAL CIRCUIT'S HOLDING THAT A DEFENDANT MAY BE HELD LIABLE UNDER SECTION 271(f)(1) FOR SUPPLYING A SINGLE COMPONENT OF A PATENTED INVENTION

Petitioners challenge (Pet. 21-30) the Federal Circuit's holding that a single component of a multi-component invention may constitute "all or a substantial portion of the components" of that invention for purposes of Section 271(f)(1). The Federal Circuit's holding is incorrect, and it subjects domestic exporters to the threat of liability for supplying a single staple article into the global stream of commerce. This Court's review is warranted.

A. 1. Section 271(f)(1) prohibits the "suppl[y] * * * [of] all or a substantial portion of the components of a patented invention" in a manner that actively induces the combination of the components abroad. 35 U.S.C. 271(f)(1). The Federal Circuit held that petitioners could be liable under Section 271(f)(1) for supplying a single component of a multi-component invention because "the dictionary definition of 'substantial' is 'important' or 'essential,'" and "[n]othing in the ordinary meaning of 'portion' suggests that it

necessarily requires a certain quantity." Pet. App. 28a. That conclusion is incorrect.

The term "substantial" can have either a quantitative meaning ("of ample or considerable amount") or a qualitative meaning ("important"). *Webster's* 1897 (defs. 1 and 8). Section 271(f)(1)'s context makes clear that the provision uses the term "substantial" in its quantitative sense. Section 271(f)(1) imposes liability for supplying "*all* or a *substantial portion* of the *components*" of the invention. 35 U.S.C. 271(f)(1) (emphases added). The term "all" necessarily carries a quantitative meaning: when used with a plural noun, "all" means "the whole of" or "the whole number of." *Webster's* 54; see 1 *Oxford English Dictionary* 324 (2d ed. 1989) (def. 2) ("[t]he entire number of; the individual components of, without exception"). The term "portion" likewise invokes a quantity: "a part of any whole." *Webster's* 1507. The phrase "all or a substantial portion of the components" therefore is most naturally read to include (1) all of the components of a patented invention, and (2) a quantitatively substantial percentage of those components. Cf. *Yates* v. *United States*, 135 S. Ct. 1074, 1085 (2015) ("[A] word is known by the company it keeps."). In a five-component invention like the genetic testing kit at issue here, the single most important component might constitute a substantial portion of the *invention*, but it cannot constitute a substantial portion of the *components*.

Section 271(f)(1)'s second use of the plural word "components" reinforces that conclusion. Section 271(f)(1) prohibits the supply of "all or a substantial portion of the *components* of a patented invention, where *such components* are uncombined in whole or in

part." 35 U.S.C. 271(f)(1) (emphasis added). Congress's use of the term "such components" to describe what is exported from this country implies that multiple components must be supplied from the United States in order to trigger the statutory ban.

Respondent contends (Br. in Opp. 19-20) that the term "such components" in this provision refers to all of the components of the invention, not simply to those that are supplied from the United States. Section 271(f)(2), however, uses phrasing parallel to Section 271(f)(1), prohibiting the supply of any "especially made" component "where such component is uncombined." 35 U.S.C. 271(f)(2). In Section 271(f)(2), the only plausible referent for "such component" is the "especially made" component supplied from the United States. There is no sound reason to give the parallel term "such components" in Section 271(f)(1) a starkly different meaning. Indeed, this Court has observed in dicta that Sections 271(f)(1) and (2) "differ, among other things, on the quantity of components that must be 'supplie[d] . . . from the United States' for liability to attach." *Microsoft*, 550 U.S. at 454 n.16.

Section 271(f)(2) specifies the circumstances in which the export of a single component from the United States can give rise to infringement liability. That provision limits the single components that may be the basis for liability to those that are "especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial non-infringing use." 35 U.S.C. 271(f)(2). The practical effect of the decision below, however, is that the export of even a "staple article" can give rise to infringement liability if that article is a sufficiently

important component of the patented invention. If Congress had intended to adopt that rule, the addition of suitable language to Section 271(f)(2) would have been a more natural way to express that intent. Construing Section 271(f)(1) to permit liability based on the supply of a single staple article would give that provision the broad sweep that Congress purposely avoided in Section 271(f)(2).

2. The presumption against extraterritoriality reinforces the conclusion that Section 271(f)(1) requires the supply of a quantitatively substantial percentage of an invention's components. That presumption "assume[s] that legislators take account of the legitimate sovereign interests of other nations when they write American laws," and that "foreign conduct is [generally] the domain of foreign law." *Microsoft*, 550 U.S. at 455-456. The Court in *Microsoft* described Section 271(f)(1) as "an exception to the general rule that our patent law does not apply extraterritorially," in that it imposes liability for domestic conduct (shipping components from the United States) that induces particular foreign conduct (the manufacture in a foreign country of an invention that is patented in the United States). *Id.* at 442. Because the scope of liability under Section 271(f)(1) will affect the foreign conduct of the recipients of the components, the presumption against extraterritoriality is "instructive in determining the extent of" the provision's coverage. *Id.* at 455-456.

The court of appeals' decision in this case expands Section 271(f)(1)'s extraterritorial reach in a way that impinges on "legitimate [foreign] sovereign interests." *Microsoft*, 550 U.S. at 455. When Section 271(f)(1) is correctly construed to cover only those defendants

who have supplied all or most of a patented invention's components from the United States, domestic conduct constitutes the bulk of the overarching transaction, and the only extraterritorial conduct affected is that of receiving all or most of the components from the United States and combining them to produce the invention. Liability under Section 271(f)(1) is therefore closely tied to circumvention of U.S. patent law. Under the court of appeals' approach, by contrast, liability could be based on domestic conduct that plays a relatively minor role in the transaction, in derogation of foreign states' legitimate sovereign interest in permitting their citizens to use imported staple articles to assemble and sell inventions that are not patented abroad.

3. The decision below raises further practical concerns.

The Federal Circuit's test of qualitative substantiality is unclear. See Pet. App. 34a. The court's decision might be read to hold that a single component constitutes a "substantial portion" of the components of a patented invention whenever the invention "would be inoperable" without that component. *Ibid.* An invention may be rendered inoperable, however, by the absence of even minor constituent parts, like the spark plug of a car. If the decision below is understood to permit liability based on the export of staple components of that character, it would have far-reaching implications for U.S. export trade.

Alternatively, the court's decision might be understood to hold that a single component is a "substantial portion" of the invention only if it is a "main" or "major" component. Pet. App. 34a. The court of appeals did not explain how that inquiry should proceed, in-

stead relying without analysis on the statement of petitioners' expert that four of the five components of the invention were "main" or "major." C.A. App. 6290; see Pet. App. 34a. Respondents have not identified any more administrable standard, stating only that "[s]ubstantiality is a fact question that requires a case-specific analysis of what is being supplied * * * and its relationship to the patented invention across multiple dimensions." Br. in Opp. 16. Without more meaningful guidance, domestic suppliers of staple components to foreign manufacturers cannot cogently assess their potential liability before exporting such goods.

Courts can more readily administer a quantitative test that compares the number of components supplied to the total number of components of the patented invention. To be sure, some cases may present difficult questions about how many components constitute a "substantial portion" of the whole number. In answering those questions, however, courts may be guided by Congress's use of the phrase "all or a substantial portion of the components." 35 U.S.C. 271(f)(1). Congress evidently understood the supply of a "substantial portion" of the components to be approximately as culpable as supplying "all" of the components, which suggests that the term "substantial portion" refers to a high percentage (*i.e.*, nearly all) of the components.

B. 1. The question presented is important. The court of appeals' decision significantly broadens Section 271(f)(1)'s coverage, threatening liability for the many U.S. exporters who supply single commodity components to foreign purchasers. When a patentee is able to establish Section 271(f)(1)'s other elements,

an exporter could face enormous patent-infringement liability for worldwide sales based on the export of a single staple article. The question presented is also likely to recur. Indeed, one district court has already relied on the decision below in holding that a defendant may be liable for exporting a single component if it "is a 'main' and 'major' component of the patented device and the device 'would be inoperable' without it." See *Nomadix, Inc.* v. *Hospitality Core Servs. LLC*, No. CV 14-08256, 2015 WL 1525537, at *5 (C.D. Cal. Apr. 3, 2015).

Respondent contends (Br. in Opp. 23) that the question is unlikely to arise often in the future because this case involved unusually clear evidence—namely, a "fact-specific concession from petitioners' own witness"—that the single component shipped was the "main" component of the kits. But in reinstating the jury's verdict, the court of appeals necessarily determined, as a legal matter, that the jury could permissibly find that a single component was a "substantial portion" of the components of the invention. Pet. App. 34a. That holding, as well as the court's suggestion that any component necessary to the invention's operation is a "substantial portion," will likely encourage further lawsuits based on single-component transactions.

2. This case is a suitable vehicle for resolving the question presented. The legal issue is cleanly presented. At least if the Court denies certiorari on the first question presented, there appear to be no obstacles that would prevent this Court from reaching and deciding the "substantial portion" question.

As respondent observes (Br. in Opp. 25-26), the Federal Circuit's decision is interlocutory because,

after reinstating the jury's infringement verdict with respect to one of the five patents-in-suit, the court of appeals remanded for a new trial on damages. Pet. App. 37a. The interlocutory posture of the case would weigh against immediate review if it were unclear whether the Federal Circuit's expansive interpretation of Section 271(f)(1) would affect the amount of damages ultimately awarded. But while respondent has expressed an intent to introduce newly discovered evidence showing that most of petitioners' kits used multiple components shipped from the United States, respondent does not contend that all of the kits at issue in this case were produced from multiple-component shipments. See Br. in Opp. 25-26. And proceedings in the district court have been stayed pending this Court's disposition of the certiorari petition. See Reply Br. 11. Because the court of appeals has decided an important legal issue, and its decision will govern both the resolution of other cases and the calculation of damages in this case, review is warranted now.

CONCLUSION

The petition for a writ of certiorari should be granted, limited to the second question presented.

Respectfully submitted.

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